

Internal Audit Yorkshire

For Town & Parish Councils

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Meltham Town Council Internal Audit Report [Interim]

Financial Year Ending 31st March 2026

Date of Interim Visit: 25th November 2025

Date Report Issued: 28th December 2025

Prepared by: Internal Audit Yorkshire

Status: Draft

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Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect error or fraud.

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Statement of Responsibility

1.1 Background

The Accounts and Audit Regulations 2015; 5 (1) require a relevant authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.' The Governance and Accountability Practitioners Guide is regarded as the 'non-statutory' guidance referred to within the above act. A copy of the guide is available from the National Association of Local Councils website. Smaller authorities in England must complete an Annual Return and an Annual Governance Statement to the public. The Annual Return must be submitted to the external auditor within the statutory deadline of 30 June.

1.2 Purpose of Internal Audit

Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal auditing tests the continuing existence and adequacy of the authority's internal controls. The internal audit function must be independent from the management of the financial controls and procedures of the authority which are the subject of review. The person or persons carrying out internal audit must be competent to carry out the role in a way that meets the business needs of the authority. It results in an annual assurance report to members designed to improve effectiveness and efficiency of the activities and operating procedures under the authority's control. Managing the authority's internal controls is a day-to-day function of the authority's staff and management, and not the responsibility of internal audit.

1.3 Responsibility

The internal audit work was undertaken in accordance with the agreed scope of assignment and in accordance with the letter of engagement. The council as a corporate body is responsible for ensuring that council business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for. This report and findings are based on the information that was made available during the course of the audit. The matters raised in this report should not be read as a comprehensive statement of all the weaknesses identified or all improvements to be made. Internal Audit work should not be relied upon to identify all circumstances of fraud and irregularity, should there be any. Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect error or fraud.

1.4 Our Objectives, Programme of Work & Independence Statement

Our work during the interim visit and the year-end visit will enable us to reach judgements on the internal control objectives in the Annual Internal Audit Report which forms part of the Councils Annual Governance and Accountability Return [AGAR]. The Internal audit report should inform the authority's responses to Assertions 2 and 6 in the Annual Governance Statement that forms part of the Annual Governance and Accountability Return [AGAR]. This internal audit report should therefore be made available to support and inform members considering the authority's approval of the annual governance statement. The internal auditor is independent of the financial management of the authority and competent to carry out this internal audit.

The Council

1.1 Meltham Town Council

Meltham Town Council is the first tier of local government within the Metropolitan District of Kirklees which is the principal authority. It lies in the Holme Valley, below Wessenden Moor, four and a half miles south-west of Huddersfield on the edge of the Peak District National Park. In accordance with Section 6 of the Local Audit and Accountability Act 2014 the council is recognised as a 'Smaller Authority'. For the purposes of the Accounts and Audit Regulations 2015, a smaller authority may also be referred to as a 'Category 2 authority' and for the purposes of the Practitioners' Guide this includes parish and town councils. The council is made up of 12 members who are elected on a four-year term. The recent town council elections took place in May 2023 and the next council elections are scheduled to take place in May 2027.

1.2 Council Services Areas of Responsibility

We are informed that the council's main services/functions relate to the areas listed below. The council Offices based in the Carlilse Institute on a rental agreement.

- Huddersfield Allotment site and Millbank Road Allotment site directly managed by the Town Council (29 chargeable plots)
- One Allotment Site St Bartholomew's managed by Calmlands Allotments Association (council rent the land from St Bartholomew's Church)
- Three Acres of Land which sites the Scout Hut (The Hut is owned by the Scouts who pay the council a peppercorn rent)
- Ownership and Management of Robert Ashton Memorial Park (RAMP) which includes toilets, tennis courts, MUGA, Play Area, Football Pitch, Woodland, Pond and Bandstand

The following matters are noted:

- The council is engaged in discussions with the Kirklees authority regarding the transfer of assets related to the Playing Fields.
- The Town Hall was sold prior to 01st April 2025 at a cost of around £103,000.

1.3 Precept for 2025/2026 Financial Year

The precept for the 2025/2026 financial year was set at £228,123 reflecting an increase of £35,763 compared to the precept set for the financial year 2024/2025.

1.4 Committees 2025/2026

The councils committees for the 2025/2026 financial year are detailed below along with the appointment of working groups that were appointed at the Annual Council Meeting held on 19th May 2025.

- 1) Finance, Assets and HR Committee
- 2) Planning, Environmental & Amenities Committee
- 3) Allotments Working Group
- 4) Communications Working Group

Our Scope of Work During the Interim Visit

1.1 The following areas were covered during the interim visit in November 2025:

- Accounting Records
- Payment Controls [Standing Orders, Financial Regulations, Expenditure Testing & VAT]
- Risk Management [to be reviewed at the year-end]
- Budgetary Controls and Financial Health [to be reviewed at the year-end audit]
- Income Controls including the precept [to be reviewed at year-end]
- Petty Cash [Not applicable]
- Payroll Controls and Members Allowances
- Asset and Investment Registers [to be reviewed at the year-end audit]
- Bank Reconciliations

1.2 The remaining control areas will be reviewed at the year-end audit.

1.3 We would like to thank the Town Clerk & Responsible Financial Officer Mark Brook for all his help and assistance during the audit.

Internal Audit Findings and Recommendations

Accounting Records

Internal Control Objective: Appropriate accounting records have been kept properly throughout the year.

Aim: To provide assurance that the books of account have been properly kept throughout the year and that data input controls are accurate.

Internal Audit Testing	Compliance	Findings / Recommendations
Has the council appointed a Responsible Financial Officer (RFO)?	Yes	The council are required to appoint an officer to oversee the financial management of the authority, as stipulated in section 151 of the Local Government Act 1972. This role continues to be held by the Town Clerk who holds a dual role and this was evidenced within the contract of employment.
Do the previous year's annual return figures agree with the current year's opening balances in the cash book for the new financial year?	Yes	The councils closing cash-book balance of £286,355 (Box 7) recorded at the 31 st March 2025 had been carried forward correctly in the cashbook at the 01 st April 2025. Evidence of the carry-forward figure verifying the opening balance was reviewed on the Scribe software and was recorded as £286,354.64.
Has the Responsible Financial Officer (RFO) determined a form of accounting and supporting records which have been maintained throughout the year?	Yes	<p>The accounts continue to be maintained on the specialised accounting software 'Scribe' which has the functionality to record the day to day transactions, prepare management, reports, submit VAT returns and assist with year-ending reporting. Access was provided to the Scribe accounting software during the audit.</p> <p><u>Bank of Ireland Bank Account</u> The Clerk has notified us that efforts were made to reach out to the Bank of Ireland regarding the closure of a bank account that had a recorded balance of £2.17 as of 30.09.24. A letter was sent to the banking provider requesting the account's closure and the transfer of the remaining balance to the Co-operative account. The Clerk report that no response had been received and subsequently, the bank resolved to write off this balance from the Scribe Accounting system. In discussions with the Clerk, we recommend obtaining confirmation from the bank regarding the closure, as there is a potential risk of the account remaining open and unmonitored, which could pose a threat of identity fraud if the account is used for other purposes in the future by unauthorised parties.</p> <p>The Scribe system recorded the active bank accounts held by the council:</p> <ol style="list-style-type: none"> 1) Co-operative Current Account 2) Hampshire Trust Bank

Do the accounting records contain entries from day to day of all sums of money received and expended by the council? Is the arithmetic correct & does this correspond to the bank statements?	Yes	A sample of invoices were reviewed and examined with the information in the Scribe system and the bank statements. No discrepancies were found in the sample reviewed during the audit.
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Payment Controls [Standing Orders – Financial Regulations – Expenditure Testing & VAT]

Internal Control Objective : This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Aim: To provide assurance that Standing Orders, Financial Regulations and Appropriate payment controls (payments supported by invoices, expenditure is approved, VAT is correctly accounted for) are in place and are followed

Internal Audit Testing	Compliance	Findings / Recommendations
Has the Council adopted the Standing Orders and Financial Regulations? Are these in accordance with the latest NALC model?	Yes	The council adopted the Standing Orders and Financial Regulations at the Annual Council meeting held on the 19 th May 2025 (minute item 25/30). These are based on the latest NALC Model documents and tailored to the councils requirements.
Are the values in place for the acquisition of formal tenders between Standing Orders and Financial Regulations consistent?	Yes	The values for formal tenders exceeding £30,000 were found to be consistent in both the Standing Orders and Financial Regulations.
Are all payments listed in the cashbook supported by invoices, authorised and minuted in accordance with the Financial Regs? Certification of an account stamp used?	Yes	<p>Authority to Spend</p> <p>The delegated authority to spend is set out in Financial Regulation 6.15, which authorises the following:</p> <ul style="list-style-type: none"> • the Clerk, under delegated authority, for any items below £500 excluding VAT. • the Clerk, in consultation with the Chair of the Council and Chair of the Finance Committee, for any items below £2,000 excluding VAT. • the Council for all items over £2,000;

Authorisation / Instructions to Make Payments

In the internal audit report from last year, we indicated that there was inconsistencies within the Financial Regulations in this section. It is pleasing to see that these inconsistencies have been resolved and that there is now a clear procedure for authorising payments as detailed below.

FR 6.9 – Authorisation of Payments & Limits delegated to the Clerk/RFO:

- any payments of up to £500 excluding VAT, within an agreed budget.
- payments of up to £2,000 excluding VAT in cases of serious risk to the delivery of council services or to public safety on council premises.
- any payment necessary to avoid a charge under the Late Payment of Commercial Debts (Interest) Act 1998 or to comply with contractual terms, where the due date for payment is before the next scheduled meeting of the Council, where the Clerk/RFO certify that there is no dispute or other reason to delay payment, provided that a list of such payments shall be submitted to the next appropriate meeting of Council.
- Fund transfers within the councils banking arrangements up to the sum of £10,000, provided that a list of such payments shall be submitted to the next appropriate meeting of Council.
- FR 6.10 – Authority to make payments in accordance with the continuing contracts and obligations list and any other expenditure pre-approved by the council.

Summary of Findings

- All invoices were found to be referenced with a number that corresponded with the entry on the Scribe accounting system.
- Although there is no use of an authorisation stamp, which has previously been recommended, the invoices were found to be signed and dated by a councillor in accordance with FR .8
- Copies of emails related to requests made to councillors for payment authorisation were kept on file; however, no invoices were found attached to the emails. It is recommended that councillors receive copies of invoices to ensure that payments are made to the appropriate supplier and for the correct amount. It is noted that the salary information was included with the payment requests submitted to the councillor.
- Payments were reported to the council as part of the monthly reporting and minuted in the council minutes for each month.
- The monthly payment list generated from the Scribe software was found to be signed by a Councillor and dated
- Payments between meetings in excess of £2,000 were reported to council members. One payment related to the Kirklees Youth Alliance of £7,142 and the other payment related to the park grass cutting payable to Design Powered, sum of £3,568. The Clerk explained that the the Youth Alliance payment was authorised at the meeting (minute reference 24/204, item 13.2) S137.

<p>Is there a segregation of duties between writing cheques and/or setting up online payments and physical release of payments? Do the instructions for the payment of invoices comply with the Financial?</p>	<p>Yes</p>	<p><u>Cheque Payments</u> The council does not operate with cheque payments and this is reflected within the councils Financial Regulations.</p> <p><u>Electronic Payments</u> Currently, there is no dual control in place for online payments. In our internal audit report from last year, it was recommended that dual authorisation is in place for electronic and online banking transactions. The Clerk has notified us that the banking provider, Co-Operative, does not provide this service. It is recommended that the council explore banking providers that can offer dual control for online banking and electronic transactions, as this would enhance protection against fraudulent payments, ensure segregation of duties, and minimise operational risks associated with errors.</p> <p>RECOMMENDATION 1: That a dual authorisation process is in place for making electronic payments to assist with payment control checks and risk management. The council to explore other banking providers as necessary to implement this recommendation.</p>
<p>Does the council have a detailed list of all fixed term contracts and service level agreement and can these be clearly identified? Is there an authorised list of continuing contracts and obligations?</p>	<p>Yes</p>	<p>Financial Regulation 6.6 requires for each financial year the RFO may draw up a schedule of regular payments due in relation to a continuing contract or obligation (such as Salaries, PAYE, National Insurance, pension contributions, rent, rates, regular maintenance contracts and similar items), which the Council may authorise in advance for the year.</p> <p>Following a review of the minutes, we found that a list had been drawn up and approved by the Town Council as recorded within the minutes of the meeting held on the 19th May 2025. The detailed list of supplier and amount was detailed within the minute item.</p>
<p>Is S137 separately recorded and within limits? Is S137 expenditure of direct benefit to electorate? Is S137 expenditure minuted?</p>	<p>Yes</p>	<p>A review of the minutes found that grant payments were made to the following groups:</p> <ul style="list-style-type: none"> • £700 – Meltham Chess Club (minute item 26/77 – Full Council 23/06/25) • £7,500 – Meltham Cricket Club (minute item 25/98 – Full Council 22/09/25) (£2,500 scheduled to be paid on 01.04.26) <p>The grant application submitted by the Cricket Club was reviewed during the audit. Although this application was thorough and included a constitution along with other supporting documents, it was noted that the application criteria did not require the inclusion of the latest bank statements. It is recommended that the criteria for the grant application stipulate the requirement for applicants to disclose their bank statements or an audited set of accounts, as this information can aid in evaluating whether the funding is genuinely required and what other general or unrestricted funds the applicant possesses.</p>

Is VAT correctly recorded in the cashbook and linked to invoices? Are VAT reclaims submitted in a timely manner in line with the HMRC requirements?	Yes	The council is VAT Registered. VAT returns are submitted on a quarterly basis to HMRC via the Scribe accounting system. The VAT returns were reviewed and amount received were checked against the bank statement. Quarter 1 – VAT Return - £1,330.65 – Received in the Co-Operative account 11.07.25 Quarter 2 – VAT Return - £3,978.56 – Received in the Co-Operative account 17.10.25
Are there any debit/credit cards in use? Are the total monthly and individual transaction limits corresponding with the Financial Regs? Is there appropriate controls over physical security and usage of the cards in place?	Yes	<u>Debit / Credit Card</u> A debit card remains in place for the Town Clerk and the Advisor to the Council. In our previous reports it has been recommended that the debit card is replaced with credit / charge cards to reduce the risks associated with fraudulent activities for online purchases. During the audit, the Clerk confirmed that this process has commenced and the recommendation is in progress.

Periodic Bank Reconciliations

Objective : Periodic and year-end bank account reconciliations were properly carried out.

Aim: To provide assurance that bank reconciliations were carried out on a regular basis and reported to Council.

Internal Audit Testing	Compliance	Comments / Recommendations
Is there a bank reconciliation for each account? Reconciliation carried out on receipt of statement?	Yes	Bank reconciliations continue to be routinely carried out on receipt of each statement and copies were reviewed along with the corresponding bank statements.
Are bank reconciliations reported to council and committee? Are these independently signed off by members and recorded in the minutes? Any unexpected balancing entries in any reconciliation?	Yes	Council members continue to receive and approve the reconciliation statements prepared by the Clerk. Copies of the reconciliation statements were found to be signed by councillors. A review of the council minutes confirmed that bank reconciliations are routinely report at council meetings.
Bank Reconciliation to the 31 March?	See Findings	To be tested at year-end

Petty Cash Procedures

Internal Control Objective: Petty cash payments were properly supported by receipts; all petty cash expenditure was approved and VAT appropriately accounted for

Aim: Obtain assurance that petty cash controls are in place and operating effectively

Internal Audit Testing	Compliance	Comments / Recommendations
Are there systems and controls in place for controlling any petty cash or petty cash floats? Is all petty cash spent recorded and supported by VAT receipts?		Not Applicable

Payroll Controls & Members Allowances

Internal Control Objective: Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.

Aim: Obtain assurance that payroll costs are supported by employment contracts, expenditure is approved and PAYE/NIC is properly operated. Review Members Allowances to ensure PAYE and NI requirements are met.

Internal Audit Testing	Compliance	Comments / Recommendation
Does the council manage payroll in-house or is this outsourced? <i>*Ensure that where free or paid software is used that it is up to date.</i>	See findings	The payroll continues to be administered in-house by the RFO using the HMRC Basic PAYE tools software.
Is there a contract of employment for the Clerk/RFO and all employed staff? Has the Council approved the salaries paid? Do the salary records correspond with the pay points agreed by the Council?		Payroll testing was carried out for the month of October 2025 to verify the gross pay corresponded with the pay calculations. Employee 1 – In our last year audit report we recommended that the conflicts in the contract of employment are reviewed and a confirmatory letter issued to the employee, along with any back-pay that is calculated. Following a review of the September minutes, it was noted that the council had carried the review and a copy of the confirmatory letter was issued to the employee. During the payroll testing conducted for this employee, no issues were identified with the gross pay

		<p>calculations. The scale point corresponded with the council minute reference agreed at the meeting held on 22/09/2025.</p> <p>Employee 2 – Contract of employment was reviewed and an increase to the rate of pay recommended by the Finance, Assets & HR Committee and ratified by the Full Town Council. It is noted that the employee is not paid on a scale point. No issues were identified with the payroll testing conducted for this employee.</p>
<p>Is the Tax and NI contributions paid within the expected parameters to HMRC? Are pension obligations met as part of the auto-enrolment process? Criteria £10k salary p.a</p>	Yes	<p>There was evidence of the Tax and NI contributions paid to HMRC. Pension contributions were made to the West Yorkshire Pension Fund in line with the scheme requirements.</p>
<p>Are allowances paid to members and paid via the payroll and/or other arrangements?</p>	Yes	<p>Council members do not receive any allowances. The Chairman does not receive an allowance. Any expenses associated with the role continue to be reclaimed on presentation of a receipt.</p>

Recommendations – Internal Audit Year Ending 31st March 2026

No	Recommendation	Page Number	Responsibility	Timescale
1	That a dual authorisation process is in place for making electronic payments to assist with payment control checks and risk management. The council to explore other banking providers as necessary to implement this recommendation.	8		